

Impact of demographic change on government budgets

(Sponsored by the Tasmanian Department of Treasury and Finance)

Tuesday 1:15pm – 2:55pm

Chair: Chris Lock

Director, Economic Policy Branch, Tasmanian Department of Treasury and Finance

The second intergenerational report

David Gruen

Macroeconomic Group, Australian Treasury

The presentation will provide an overview of the main findings of the Australian Government's April 2007 Second Intergenerational Report, including the long term economic and fiscal implications of an ageing population and rising public health care costs. Comparisons will be presented with the results from the first Intergenerational Report released in 2002.

Assessing the future distributional impact of population ageing and policy change: The APPSIM Model

Ann Harding

National Centre for Social and Economic Modelling (NATSEM), University of Canberra

The two Intergenerational Reports produced by the Australian Treasury have suggested that, under current policy settings, population ageing will produce intense fiscal pressures upon government in the coming four decades. With 13 Commonwealth agencies as research partners and with ARC support, NATSEM is constructing the Australian Population and Policy Simulation Model (APPSIM). APPSIM will project a one per cent sample of the Australian population forward through time, year by year, for 50 years. Once complete, the APPSIM model will become one of the suite of models available to the Commonwealth (and Australia) to guide policy responses to population ageing. It will complement the existing models used within Treasury, which provide less detailed distributional output about household level effects than APPSIM will. The APPSIM model is a dynamic population microsimulation model and international experience with this type of model is briefly described, along with its advantages and disadvantages. The presentation also covers current progress in construction of the model, the strong focus on usability by policy makers (its interface, likely output screens), and the challenges encountered to date in its construction.